

CITY OF CRESTON
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

June 30, 2014

CITY OF CRESTON

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**CITY OF CRESTON
OFFICIALS
June 30, 2014**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Warren Woods.....	Mayor.	Jan 2016
Nancy Loudon.	Council Member.	Jan 2016
Larry Wagner.....	Council Member.	(Ended 12-31-13) Jan 2014
Randy White.	Council Member.	Jan 2018
Paul Vandevender.	Council Member.	(Ended 12-31-13) Jan 2014
Loyal Winborn.....	Council Member.	Jan 2016
Ann Levine.....	Council Member.	Jan 2018
Marsha Wilson.....	Council Member.	Jan 2016
Dave Koets.....	Council Member.	(Started 1-1-14) Jan 2018
Gary Lybarger.	Council Member.	(Started 1-1-14) Jan 2018
Michael Taylor.....	City Administrator.	Indefinite
Lisa Williamson.....	City Clerk.	Jan 2015
Arnold O. Kenyon, III.	Co-City Attorney.....	Jan 2015
Todd Nielsen.	Co-City Attorney.....	Jan 2015

City of Creston



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Creston, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Creston, Iowa as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Creston's basic financial statements. The financial statements for the nine years ended June 30, 2013 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 32 through 34 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 22, 2014 on our consideration of the City of Creston's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Creston's internal control over financial reporting and compliance.

Martens & Company, CPA, LLP

West Des Moines, Iowa
August 22, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Creston provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Government Activities total revenues decreased by \$1,445,000 from the previous fiscal year. Charges for services and tax increment financing increased from the previous fiscal year. Other City Taxes, Uses of Money and Property, Intergovernmental, Licenses and Permits and Miscellaneous revenue all decreased when compared to fiscal year 2013.
- Government Activities total expenditures decreased by approximately \$3,934,000. Public Safety expenditures increased compared to fiscal year 2013. Public Works, Culture and Recreation, Debt Service, Capital Project and General Government expenditures decreased from the previous fiscal year. Public Safety expenditures increased by approximately \$114,000, Public Works decreased by approximately \$475,000, Culture and Recreation decreased by approximately \$612,000, Debt Service decreased by approximately \$1,790,000, General Government decreased by approximately \$681,000 and Capital Projects decreased by approximately \$490,000 compared to fiscal year 2013.
- During fiscal year 2014, the City's total cash basis net position increased by 4.2% or approximately \$337,000. Of this amount, the cash basis net position of the Governmental Activities increased approximately \$235,000 and the cash basis net position of the business type activities increased approximately \$102,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of a cash basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer system. These activities are financed primarily by user charges.
- The Component Unit includes the Creston City Water Works, which accounts for the activities of the Water Works.

Fund Financial Statements

The City has three kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide separate information for the Sewer Fund, considered to be a major fund of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

3) Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources are not available to support the City's own programs. The Fiduciary Fund consists of the Agency, Animal Shelter Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, by approximately \$235,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for services and sales	\$ 854	\$ 820
Intergovernmental revenues	1,591	2,659
General receipts:		
Property tax	2,370	2,444
Tax incremental financing collections	725	662
Other city tax	1,010	1,024
Licenses and permits	49	82
Use of money and property	90	151
Special assessments	6	7
Other general receipts	455	746
Total receipts	<u>7,150</u>	<u>8,595</u>
Disbursements:		
Public safety	1,626	1,512
Public works	1,993	2,468
Culture and recreation	768	1,380
Community and economic development	40	40
General government	1,992	2,673
Debt service	1,059	2,849
Capital projects	19	509
Total disbursements	<u>7,497</u>	<u>11,431</u>
Change in cash basis net position before transfers	(347)	(2,836)
Transfers, net	<u>582</u>	<u>596</u>
Change in cash basis net position	235	(2,240)
Cash basis net position beginning of year	<u>6,496</u>	<u>8,736</u>
Cash basis net position end of year	<u>\$ 6,731</u>	<u>\$ 6,496</u>

The City's total receipts for governmental activities decreased by seventeen percent (17%) or approximately \$1,445,000 from fiscal year 2013. Disbursements for fiscal year 2014 decreased by thirty-four percent (34%) or \$3,934,000 over fiscal year 2013. Starting fiscal year 2015, the City is in a better position than when it started fiscal year 2014 with a beginning cash balance of approximately \$6,731,000 vs. \$6,496,000.

Property tax receipts decreased for fiscal 2014, by three percent (3%) or approximately \$74,000 due to decreased levy rates for employee benefits. The property tax levy rate for fiscal year 2014 was reduced by \$0.56774 per thousand or 4.2%.

Based on increases in the total assessed valuation, property tax receipts are budgeted to increase by approximately an additional \$70,000 next year or 0.29%.

The cost of all governmental activities this year was approximately \$7.497 million compared to \$11.432 million last year. However, as shown in the Statement of Activities and Net Position on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$5.048 million because some of the cost was paid by those directly benefitted from the programs (approximately \$1.028 million) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$1.422 million). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2014 from approximately \$3.912 million to approximately \$2.449 million, principally due to reduced amounts of grant proceeds received this year.

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for services and sales	\$ 1,367	\$ 1,334
Miscellaneous receipts	1	69
Total receipts	<u>1,368</u>	<u>1,403</u>
Disbursements:		
Personal services	328	311
Services and commodities	270	309
Capital outlay	87	70
Total disbursements	<u>685</u>	<u>690</u>
Change in cash basis net position before transfers	683	713
Transfers, net	<u>(582)</u>	<u>(595)</u>
Change in cash basis net position	101	118
Cash basis net position beginning of year	<u>1,601</u>	<u>1,483</u>
Cash basis net position end of year	<u>\$ 1,702</u>	<u>\$ 1,601</u>

Total business type activity receipts decreased two and one-half percent (2.5%) or approximately \$35,000. Business type activity disbursements decreased one percent (1%) or approximately \$5,000. The decrease in receipts was primarily due to reduced state grants of approximately \$45,000. The decrease in disbursements was primarily due to reduced repairs and maintenance to buildings.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Creston completed the year, its governmental funds reported a combined fund balance of approximately \$6,731,000, an increase of approximately \$235,000 above last year's total of approximately \$6,496,000. The following are the major reasons for the changes in cash balances from the prior year for the City's major funds.

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance in the General Fund was approximately \$1,240,000, a decrease of approximately \$126,000. The City continues to maintain a very strong General Fund balance, which is approximately 34% of General Fund receipts. The Fund decreased partially due to reduced grant receipts.
- The Special Revenue, Road Use Tax Fund ending cash balance was approximately \$197,000, a decrease of approximately \$88,000. The City continues to invest all of the Road Use Tax received throughout the year in maintaining and improving the streets. The Fund decreased partially due to decreased transfers from other funds.
- The Special Revenue, Employee Benefits Fund is a Special Revenue Fund that accounts for revenues received and expenditures paid in support of employee benefits. The types of revenues received are property taxes assessed for the employer contributions for health insurance, FICA, IPERS, and unemployment benefits, in addition to any third party health insurance reimbursement received for major medical claims exceeding the stop loss level established with a third party administrator. Expenditures from the fund include premiums and medical claims paid on behalf of covered employees and the employer contributions for FICA, IPERS, and unemployment benefits. The fund showed a net decrease of approximately \$2,000 with an ending cash balance of approximately \$713,000.
- The Special Revenue, Urban Renewal Tax Increment Fund was established to account for major urban renewal projects within the City. At the end of the fiscal year, the cash balance was approximately \$951,000, an increase of approximately \$80,000 from the previous year. The increase was the result of increased collection of urban renewal tax increment financing taxes. These proceeds will be used to redeem bonds and interest on existing outstanding bonds.
- The Special Revenue, Local Option Sales Tax Fund increased approximately \$392,500 to approximately \$2,765,000. This increase was primarily attributable to the decrease in transfers out of the Fund to other funds.
- The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation and long-term debt. The City transferred approximately \$1,059,000 from other funds to make payments for these obligations. The fund did not reflect a change in the ending cash balance of approximately \$37,000.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance increased by approximately \$102,000 during the fiscal year. The Fund increased due to increased collection of sewer charges while incurring slightly less operating disbursements.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following the required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures, ie; a required public notice followed by a public hearing. Over the course of the year, the City amended its operating budget once. The amendment was approved on May 6, 2014 to provide for additional disbursements in certain city departments of approximately \$435,000. The majority of the increase in disbursements was due to increased Water Works disbursements of \$300,000. The amendment also included a projected increase in revenues of \$417,700. The key items increasing budgeted revenues were: license and fees, uses of money and property, and Water Works receipts.

DEBT ADMINISTRATION

At year-end, the City had \$5,294,189 in bonds and other long-term debt compared to \$6,225,258 in fiscal year 2013. See below for a side by side comparison of the outstanding debt obligations for fiscal years 2014 and 2013.

	Outstanding Debt at Year-End	
	2014	June 30 2013
General Obligation Capital Loan Note, Series 2010	\$1,010,000	\$1,105,000
General Obligation Capital Loan Note, Series 2012A	1,350,000	1,540,000
General Obligation Refunding Capital Loan Notes, Series 2012B	1,295,000	1,550,000
State Revolving Funds Loans	1,546,000	1,846,000
Sewer Truck Note	47,071	94,142
Street Department Trucks, Capital Lease	46,118	90,116
Total	<u>\$5,294,189</u>	<u>\$6,225,258</u>

The City's general obligation bond rating continues to be strong. Standard & Poor's Rating Services assigned its "A" rating to the Series 2012A General Obligation Capital Loan Note and Series 2012B General Obligation Refunding Capital Loan Note. The outlook is stable. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to five percent (5%) of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation of \$3,655,000 is well below the City's legal debt limit of \$15,664,017.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2015 fiscal year budget, tax rates, and fees that will be charged for various City activities. In addition, capital equipment needs, fuel costs, and the costs of employee benefits are primary concerns in setting a budget.

These factors all contributed when adopting the fiscal year 2015 budget. The total budgeted revenue for fiscal year 2015 is \$11,667,109. This revenue includes Governmental Activities and Business Type Activities, which includes the Sewer and City Water Works departments. Budgeted expenditures for fiscal year 2015 is \$12,664,855. \$8,170,198 is budgeted for Governmental activity expenditures and \$4,494,657 is for Business Type expenditures. Steps implemented by the City, including the careful utilization of Local Option Sales Tax receipts, increasing certain fees, transferring costs across funds, and reducing the costs of the delivery of services allowed the City to maintain positive fund balances for the fiscal year 2015 budget. The property tax rate of \$13.94639 for the fiscal year ending June 30, 2015, is a 7.7% increase of the fiscal year 2014 rate.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael A. Taylor, Creston City Administrator, 116 West Adams Street, P.O. Box 449, Creston, Iowa 50801.

Basic Financial Statements

CITY OF CRESTON

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

		Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	<u>Disbursements</u>			
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,626,443	\$ 144,135	\$ 51,690	\$ -
Public works	1,992,752	746,710	929,409	171,493
Culture and recreation	768,301	87,218	142,555	-
Community and economic development	40,563	36,622	1,783	-
General government	1,991,061	12,843	124,969	-
Debt service	1,058,729	-	-	-
Capital projects	19,191	-	-	-
Total governmental activities	<u>7,497,040</u>	<u>1,027,528</u>	<u>1,250,406</u>	<u>171,493</u>
Business type activities:				
Sewer	<u>684,542</u>	<u>1,367,372</u>	-	544
Total business type activities	<u>684,542</u>	<u>1,367,372</u>	-	544
Total Primary Government	<u>\$ 8,181,582</u>	<u>\$ 2,394,900</u>	<u>\$ 1,250,406</u>	<u>\$ 172,037</u>
Component Unit:				
Water Works	<u>\$ 3,121,100</u>	<u>\$ 2,853,828</u>	<u>\$ -</u>	<u>\$ 172,037</u>
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Governmental Activities	Business Type Activities	Total	Water Works
\$ (1,430,618)	\$ -	\$ (1,430,618)	\$ -
(145,140)	-	(145,140)	-
(538,528)	-	(538,528)	-
(2,158)	-	(2,158)	-
(1,853,249)	-	(1,853,249)	-
(1,058,729)	-	(1,058,729)	-
(19,191)	-	(19,191)	-
(5,047,613)	-	(5,047,613)	-
-	683,374	683,374	-
-	683,374	683,374	-
(5,047,613)	683,374	(4,364,239)	-
			\$ (95,235)
2,375,653	-	2,375,653	-
725,435	-	725,435	-
874,719	-	874,719	-
135,003	-	135,003	-
46,464	-	46,464	8,356
543,023	724	543,747	205,003
582,147	(582,147)	-	-
5,282,444	(581,423)	4,701,021	213,359
234,831	101,951	336,782	118,124
6,496,063	1,600,530	8,096,593	1,786,534
\$ 6,730,894	\$ 1,702,481	\$ 8,433,375	\$ 1,904,658
\$ 258,827	\$ -	\$ 258,827	\$ -
196,742	-	196,742	-
951,340	-	951,340	-
37,403	205,148	242,551	-
4,046,806	1,270,347	5,317,153	212,331
1,239,776	226,986	1,466,762	1,692,327
\$ 6,730,894	\$ 1,702,481	\$ 8,433,375	\$ 1,904,658

CITY OF CRESTON

Statement of Cash Receipts, Disbursements and Changes in Cash Balances Governmental Funds

As of and for the year ended June 30, 2014

		Special Revenue		
	General	Road Use Tax	Employee Benefit Tax	Urban Renewal Tax Increment
Receipts:				
Property tax	\$1,830,472	\$ -	\$ 348,410	\$ -
Tax increment financing	-	-	-	725,435
Other city tax	135,003	-	-	-
Licenses and permits	48,767	-	-	-
Uses of money and property	84,331	-	-	-
Intergovernmental	549,330	787,536	254,227	-
Charges for service	844,639	9,243	-	-
Special assessments	5,680	-	-	-
Miscellaneous	181,211	3,703	162,816	-
Total receipts	<u>3,679,433</u>	<u>800,482</u>	<u>765,453</u>	<u>725,435</u>
Disbursements:				
Operating:				
Public safety	1,403,303	-	-	-
Public works	1,104,542	888,210	-	-
Culture and recreation	652,220	-	-	-
Community and economic development	40,563	-	-	-
General government	883,362	-	1,107,699	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>4,083,990</u>	<u>888,210</u>	<u>1,107,699</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(404,557)</u>	<u>(87,728)</u>	<u>(342,246)</u>	<u>725,435</u>
Other financing sources (uses):				
Operating transfers in	291,601	-	340,058	-
Operating transfers out	(13,349)	-	-	(645,204)
Total other financing sources (uses)	<u>278,252</u>	<u>-</u>	<u>340,058</u>	<u>(645,204)</u>
Change in cash balances	(126,305)	(87,728)	(2,188)	80,231
Cash balances beginning of year	<u>1,366,081</u>	<u>284,470</u>	<u>715,449</u>	<u>871,109</u>
Cash balances end of year	<u>\$1,239,776</u>	<u>\$ 196,742</u>	<u>\$ 713,261</u>	<u>\$ 951,340</u>
Cash Basis Fund Balances				
Nonspendable:				
Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Cemetery perpetual decoration	-	-	-	-
Restricted for:				
Urban renewal purposes	-	-	-	951,340
Debt service	-	-	-	-
Streets	-	196,742	-	-
Other purposes	-	-	713,261	-
Committed				
Community Center	18,418	-	-	-
Unassigned	<u>1,221,358</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$1,239,776</u>	<u>\$196,742</u>	<u>\$ 713,261</u>	<u>\$951,340</u>

See notes to financial statements.

Local Option Sales Tax	Debt Service	Other Nonmajor Governmental Funds	Total
\$ -	\$ -	\$ 191,092	\$ 2,369,974
-	-	-	725,435
874,719	-	-	1,009,722
-	-	-	48,767
-	-	5,598	89,929
-	-	-	1,591,093
-	-	-	853,882
-	-	-	5,680
-	-	107,512	455,242
874,719	-	304,202	7,149,724
-	-	223,140	1,626,443
-	-	-	1,992,752
-	-	116,081	768,301
-	-	-	40,563
-	-	-	1,991,061
-	1,058,729	-	1,058,729
-	-	19,191	19,191
-	1,058,729	358,412	7,497,040
874,719	(1,058,729)	(54,210)	(347,316)
-	1,058,729	32,541	1,722,929
(482,229)	-	-	(1,140,782)
(482,229)	1,058,729	32,541	582,147
392,490	-	(21,669)	234,831
2,372,592	37,403	848,959	6,496,063
\$ 2,765,082	\$ 37,403	\$ 827,290	\$ 6,730,894
\$ -	\$ -	\$ 235,214	\$ 235,214
-	-	23,613	23,613
-	-	-	951,340
-	37,403	-	37,403
-	-	-	196,742
2,765,082	-	568,463	4,046,806
-	-	-	18,418
-	-	-	1,221,358
\$ 2,765,082	\$ 37,403	\$ 827,290	\$ 6,730,894

CITY OF CRESTON

Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Proprietary Fund

As of and for the year ended June 30, 2014

	Enterprise Fund Sewer
Operating receipts:	
Charges for service	\$ 1,367,505
Total operating receipts	<u>1,367,505</u>
Operating disbursements:	
Business type activities:	684,542
Total operating disbursements	<u>684,542</u>
Excess of operating receipts over operating disbursements	<u>682,963</u>
Non-operating receipts (disbursements):	
Intergovernmental	544
Miscellaneous	591
Net non-operating receipts (disbursements)	<u>1,135</u>
Excess of receipts over disbursements	<u>684,098</u>
Other financing sources (uses):	
Operating transfers in	-
Operating transfers (out)	(582,147)
Total other financing (uses)	<u>(582,147)</u>
Change in cash balances	101,951
Cash balances beginning of year	<u>1,600,530</u>
Cash balances end of year	<u><u>\$ 1,702,481</u></u>
Cash Basis Fund Balances	
Restricted for debt service	\$ 205,148
Restricted for capital replacement	1,011,837
Restricted for storm water	258,510
Unrestricted	<u>226,986</u>
Total cash basis fund balances	<u><u>\$ 1,702,481</u></u>

See notes to financial statements.

CITY OF CRESTONStatement of Cash Receipts, Disbursements and Changes in Cash Balances
Fiduciary Fund

Year ended June 30, 2014

	<u>Animal Shelter</u>
Additions:	\$ 17,934
Deductions:	<u>13,877</u>
Net change in cash balance	4,057
Cash balance beginning of year	<u>32,609</u>
Cash balance end of year	<u><u>\$ 36,666</u></u>

See notes to financial statements.

CITY OF CRESTON

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

The City of Creston, Iowa is a political subdivision of the State of Iowa located in Union County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, public improvements and general administrative services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Creston has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Creston (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizens of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions:

Union County Assessors Conference Board, Union County Emergency Management Commission, Union County Solid Waste Management Commission, Union County Development Association Public Funding Council, and ATURA (Adams, Taylor, Union, Ringgold, Adair).

Discretely Presented Component Unit

The Creston City Water Works is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Water Works is governed by a five-member board appointed by the City Council and Water Works' operating budget is subject to the approval of the City Council.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2014

(1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2014

(1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefit Fund is used to account for tax revenue for the use of payments for employee benefits.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is used to account for the revenues from the state and local option sales tax and expenditure of those funds for the specific purpose as set forth in the referendum.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2014

(1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting - Continued

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts the Council has legally limited for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) Cash and Investments

The City's deposits at June 30, 2014, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are normally categorized to give an indication of the level of risk assumed by the City at year end. However, at June 30, 2014, the City had no investments subject to risk categorization.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2014

(2) Cash and Investments - Continued

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Long Term Debt

Annual debt service requirements to maturity for general obligation bonds and notes and other debts are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes	Other Debt	Total
2015	\$ 540,000	\$ 407,189	\$ 947,189
2016	550,000	264,000	814,000
2017	560,000	276,000	836,000
2018	565,000	104,000	669,000
2019	570,000	45,000	615,000
2020-2024	870,000	250,000	1,120,000
2025-2029	-	293,000	293,000
	<u>\$ 3,655,000</u>	<u>\$ 1,639,189</u>	<u>\$ 5,294,189</u>

Interest			
Year Ending June 30,	General Obligation Capital Loan Notes	Other Debt	Total
2015	\$ 70,785	\$ 40,851	\$ 111,636
2016	63,853	30,510	94,363
2017	55,803	25,377	81,180
2018	46,563	20,010	66,573
2019	36,460	17,640	54,100
2020-2024	62,280	66,930	129,210
2025-2029	-	26,880	26,880
	<u>\$ 335,744</u>	<u>\$ 228,198</u>	<u>\$ 563,942</u>

The Code of Iowa requires that principal and interest on general obligation debt be paid from the Debt Service Fund.

The resolutions providing for the issuance of the general obligation capital loan notes and other notes include the following provisions:

- (a) All taxes collected under levy shall be converted into a special fund in the Debt Service Fund.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2014

(3) Bonds Payable and Other Debt - Continued

- (b) Fund monies are to be used for payment of principal and interest of the capital loan notes only.
- (c) All proceeds are to be invested in either direct obligations of the U.S. Government or deposited in banks which are members of the FDIC in FDIC insured accounts.
- (d) No use of capital loan note proceeds is allowed which will cause them to be classified as arbitrage bonds or notes.
- (e) Project has not been and is not expected to be sold or disposed of prior to capital loan note maturity.
- (f) Tax levies of adequate amount are ordered for capital loan note repayments.

Other Debt

On November 7, 1995, the City entered into a note agreement with a financial institution for a State Revolving Funds Loan to finance the construction of a sludge lagoon. The total loan award was for \$810,000. The balance at June 30, 2014 is \$60,000. The loan bears interest at 1.75% and interest payments are due June 1 and December 1. Principal payments are due June 1.

On June 10, 1997, the City entered into a note agreement with a financial institution for a second State Revolving Corporate Purpose Loan for additional financing of construction of the sludge lagoon and wastewater treatment plant improvements. The total loan award was for \$2,383,000. The balance at June 30, 2014 is \$505,000. The loan bears interest at 1.75% and interest payments are due June 1 and December 1. Principal payments are due June 1.

On March 20, 1998, the City entered into a note agreement with a financial institution for a third State Revolving Funds Loan for additional financing of construction of wastewater treatment plant improvements. The total loan award was for \$829,000. The balance at June 30, 2014 is \$225,000. The loan bears interest at 1.75% and interest payments are due June 1 and December 1. Principal payments are due June 1.

On September 30, 2009, the City entered into a note agreement with a financial institution for a fourth State Revolving Funds Loan for additional financing of construction of sanitary sewer line improvements. The total loan award was for \$945,000. The balance at June 30, 2014 is \$756,000. The loan bears interest at 3% and interest payments are due June 1 and December 1. Principal payments are due June 1.

On November 4, 2008, the City entered into a note agreement with a financial institution for financing the cost of a new sewer jet truck at a cost of \$329,500 at 4.45% interest. Interest payments are due June 1 and December 1. Principal payments are due June 1. The balance at June 30, 2014 is \$47,071.

Capital Lease

The City is leasing a street department truck under a capital lease. The balance of the lease is \$48,340 as of June 30, 2014. Annual payments are \$48,340 each year, including interest at 4.8%. The lease is collateralized by the truck.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2014

(3) Bonds Payable and Other Debt - Continued

As of June 30, 2014, the present value of future minimum capital lease payments are as follows:

June 30, 2014	\$	48,340
Less amount representing interest		<u>2,222</u>
Presenting value of net minimum capital lease payments	\$	<u><u>46,118</u></u>

(4) Pension and Retirement Benefits

MFPRSI

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits which are established by State statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, IA 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, cannot be less than 30.12% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2014, 2013 and 2012 was \$221,705, \$193,542 and \$181,538, respectively, which met the required minimum contribution for each year.

IPERS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$108,252, \$99,021 and \$90,844, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. They also accumulate a limited amount of sick leave hours which are available for subsequent use only. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2014

(5) Compensated Absences - Continued

Type of Benefit	Amount
Vacation	\$193,790
Sick leave	<u>621,396</u>
Total	<u>\$815,186</u>

This liability has been computed based on rates of pay as of June 30, 2014.

(6) Deferred Compensation Plan

The City offers certain employees a deferred compensation plan created in accordance with the provisions of Internal Revenue Code Section 457. The plan, available to the police department and the City Manager, allows those employees to defer a portion of their current salary until future years. The employee becomes eligible to withdraw funds upon termination, retirement, death or unforeseeable emergency. The City provides neither administrative service to the plan nor investment advice for the plan.

Plan contributions for the year by the City ended June 30, 2014 were \$8,530, and for the year ended June 30, 2013 were \$8,315.

(7) Other Post-Employment Benefits (OPEB)

The City of Creston offers health insurance coverage to full time employees wishing to voluntarily retire prior to the age of 65 and wish to remain on the City employee health insurance plan. The city will make available single health insurance coverage for the retiree until he/she reaches the age eligible to receive Medicare or other Government insurance coverage.

There are 40 active employees for the City, 13 active employees for Waterworks and 1 retired employee.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City pays 90% of the premium for active employees while the employee is responsible for 10%. Retirees pay full premiums for single coverage. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

	Plus Plan	Basic Plan	Value Plan
Deductible	\$600	\$1,200	\$2,000
Single Coverage	\$746	\$694	\$630
Family Coverage	\$1,859	\$1,728	\$1,706

For the year ended June 30, 2014 the City contributed \$1,132,786 to the plan.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2014

(8) Related Party Transactions

The City has title to all the land and buildings used by the Creston City Water Works. The Mayor appoints and the City Council confirms the appointments to the Water Works Board of Trustees.

The Water Works determines fees charged to users and also charges the City for usage. The Water Works collects sewage and garbage fees for the City of Creston. Funds collected are remitted to the City monthly. The City received \$1,324,456 for sewer rental, \$606,678 for garbage collections and \$10,070 for sewer connection charges from the Water Works for the year ended June 30, 2014. The City paid the Water Works \$8,324 for utilities and \$3,806 for other costs and reimbursements.

The City of Creston and the Creston City Water Works are covered under the same insurance policies. Each year the City pays the total policy premium and the Water Works reimburses the City for its share of the cost. During the year ended June 30, 2014, the Water Works reimbursed the City \$93,461.

Also of June 30, 2014, the Water Works owes the following to the City of Creston:

Sewer rental	\$ 103,793
Garbage collections	<u>44,890</u>
	<u>\$ 148,683</u>

The City provides health insurance for employees of both the City and the Water Works under its self-funded health insurance plan. For the year ended June 30, 2014, the City was reimbursed \$225,280 from the Water Works for claims and premiums paid on behalf of the Water Works employees.

(9) Risk Management

The City of Creston is exposed to various risks of loss related to torts; theft, damage to and destruction of assets, errors and omissions; injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks did not exceed commercial insurance coverage during the year ended June 30, 2014.

(10) Commitments

Garbage Collection

The City of Creston has renewed its contract for garbage collection for the fiscal year ending June 30, 2010, and the contract is for a period of seven years.

Airport Operations

The City has entered into an agreement with a contractor to operate and maintain the Creston Municipal Airport for the fiscal year ending June 30, 2014, for \$35,000. The contractor is responsible for all maintenance, upkeep and repairs of the airport and has the option of operating as a fixed based operator. The City is responsible for providing for utilities for the runway lighting, taxiing, lighted windsock, rotating light beacon, and radio homing beacon and for all parts and repairs necessary for these items. The agreement is an annual agreement and has been renewed until June 30, 2015.

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2014

(10) Commitments - Continued

Self-Funded Health Insurance

The City of Creston, Iowa has a self-insured Health Care Plan for City employees accounted for in the employee benefit fund. A fixed monthly fee per participating employee is paid to an insurance administrative company to administer the Plan and evaluate claims. The funds of the City are charged a premium based on a range of rates recommended by the third party administrator.

The maximum exposure to the City for claims incurred is limited by the "Stop-loss" feature of the Plan. The maximum exposure for one individual, excluding listed exceptions, in a twelve-month period is \$30,000. The maximum aggregate excess risk insurance is \$1,000,000 per policy period and the maximum specific excess risk insurance per covered person is \$1,970,000 per lifetime.

As of June 30, 2014 the Plan held \$713,261 in cash and investments. The estimate of the claims liability was \$133,775 for June 30, 2014 and \$104,581 for June 30, 2013, and includes claims reported but not settled and those incurred but not reported. Claim payments, net of Stop-loss reimbursements as of June 30, 2014 and 2013 were \$792,911 and \$557,757, respectively. The City records the cost of these claims when paid; therefore, the cost of claims incurred but unpaid have not been recorded in the financial statements.

(11) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special revenue:	
	Urban Renewal Tax Increment	\$ 52,602
	Local Option Sales Tax	50,414
	Enterprise:	
	Sewer	188,585
		<u>291,601</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	592,602
	Local Option Sales Tax	72,565
	Enterprise:	
	Sewer	393,561
		<u>1,058,728</u>
Special Revenue:	Special Revenue:	
Employee Benefits	Local Option Sales Tax	<u>340,058</u>
McKinley Park	General	<u>5,000</u>
Cemetery Perpetual Care	General Fund	<u>8,350</u>

CITY OF CRESTON

Notes to Financial Statements - Continued

June 30, 2014

(11) Interfund Transfers - Continued

Capital Projects	Special Revenue:	
	Local Option Sales Tax	19,191
Total		<u>\$ 1,722,928</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(12) Operating Lease

The City has entered into operating leases for a copier and postage meter. The leases are for 60 months, respectively, beginning on September 6, 2011 and August 7, 2013, respectively. Minimum future lease payments are as follows:

Year ending June 30,	
2015	\$ 3,295
2016	3,295
2017	1,480
2018	828
2019	414

(13) Development Agreements

The City has entered into a development agreement for urban renewal projects. This agreement calls for the City to make economic development tax rebate payments each year out of incremental taxes received by the City. Payments totaling \$20,698 were made during the year ended June 30, 2014 under this agreement. Estimated amounts to be paid in future years on development agreements totaled approximately \$11,800.

(14) Construction Contracts

The City has entered into various construction contracts totaling approximately \$373,300. The unpaid contract balances as of June 30, 2014 totaled approximately \$29,200 which will be paid as work on the projects progresses.

(15) Subsequent Events

Management has evaluated subsequent events through August 22, 2014, the date on which the financial statements were available to be issued.

(16) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

Other Information

CITY OF CRESTON

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds, Proprietary Fund and Component Unit Other Information Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Fund Actual	Component Unit Actual	Less Funds not Required to Be Budgeted
Receipts:				
Property tax	\$ 2,369,974	\$ -	\$ -	\$ -
Tax increment financing	725,435	-	-	-
Other city tax	1,009,722	-	-	-
Licenses and permits	48,767	-	-	-
Uses of money and property	89,929	-	8,356	-
Intergovernmental	1,591,093	544	343,715	-
Charges for service	853,882	1,367,505	4,592,448	1,947,298
Special assessments	5,680	-	-	-
Miscellaneous	455,242	591	225,839	-
Total receipts	7,149,724	1,368,640	5,170,358	1,947,298
Disbursements:				
Public safety	1,626,443	-	-	-
Public works	1,992,752	-	-	-
Culture and recreation	768,301	-	-	-
Community and economic development	40,563	-	-	-
General government	1,991,061	-	-	-
Debt service	1,058,729	-	-	-
Capital projects	19,191	-	-	-
Business type activities	-	684,542	5,052,234	1,931,134
Total disbursements	7,497,040	684,542	5,052,234	1,931,134
Excess (deficiency) of receipts over (under) disbursements	(347,316)	684,098	118,124	16,164
Other financing sources (uses), net	582,147	(582,147)	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	234,831	101,951	118,124	16,164
Balances beginning of year	6,496,063	1,600,530	1,786,534	-
Balances end of year	\$ 6,730,894	\$ 1,702,481	\$ 1,904,658	\$ 16,164

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
	Original	Final	
\$ 2,369,974	\$ 2,209,372	\$ 2,209,372	\$ 160,602
725,435	712,689	712,689	12,746
1,009,722	1,010,906	1,010,906	(1,184)
48,767	-	36,700	12,067
98,285	-	76,000	22,285
1,935,352	1,698,485	1,698,485	236,867
4,866,537	5,247,489	5,552,489	(685,952)
5,680	-	-	5,680
681,672	224,500	224,500	457,172
11,741,424	11,103,441	11,521,141	220,283
1,626,443	1,635,306	1,683,502	57,059
1,992,752	2,217,209	2,247,209	254,457
768,301	871,623	903,723	135,422
40,563	41,095	41,095	532
1,991,061	2,228,216	2,253,216	262,155
1,058,729	1,382,438	1,382,438	323,709
19,191	1,500,000	1,500,000	1,480,809
3,805,642	4,233,773	4,533,773	728,131
-	-	-	-
11,302,682	14,109,660	14,544,956	3,242,274
438,742	(3,006,219)	(3,023,815)	3,462,557
-	1,500,000	1,500,000	(1,500,000)
438,742	(1,506,219)	(1,523,815)	1,962,557
9,883,127	9,883,126	4,056,390	5,826,737
<u>\$10,321,869</u>	<u>\$ 8,376,907</u>	<u>\$ 2,532,575</u>	<u>\$ 7,789,294</u>

CITY OF CRESTON

Notes To Other Information - Budgetary Reporting

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$435,296. The budget amendment is reflected in the final budgeted amounts.

Supplementary Information

CITY OF CRESTON

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2014

	Special Revenue			
	Police Forfeiture	Police and Fire Retirement	Library Building	McKinley Park
Receipts:				
Property tax	\$ -	\$ 191,092	\$ -	\$ -
Use of money and property	-	-	4,003	768
Miscellaneous	1,696	-	31,898	71,288
Total receipts	1,696	191,092	35,901	72,056
Disbursements:				
Operating:				
Public safety	1,434	221,706	-	-
Culture and recreation	-	-	50,059	66,022
Capital projects	-	-	-	-
Total disbursements	1,434	221,706	50,059	66,022
Excess (deficiency) of receipts over (under) disbursements	262	(30,614)	(14,158)	6,034
Other financing sources:				
Operating transfers in	-	-	-	5,000
Total other financing sources	-	-	-	5,000
Net change in cash balances	262	(30,614)	(14,158)	11,034
Cash balances beginning of year	5,546	72,848	316,778	206,767
Cash balances end of year	\$ 5,808	\$ 42,234	\$ 302,620	\$ 217,801
Cash Basis Fund Balances				
Nonspendable:				
Cemetery perpetual care	-	-	-	-
Cemetery perpetual decoration	-	-	-	-
Restricted for:				
Other purposes	\$ 5,808	\$ 42,234	\$ 302,620	\$ 217,801
Total cash basis fund balances	\$ 5,808	\$ 42,234	\$ 302,620	\$ 217,801

See accompanying independent auditor's reports.

Capital Projects	Permanent		Total
	Cemetery Perpetual Care	Cemetery Perpetual Decoration	
\$ -	\$ -	\$ -	\$ 191,092
-	-	827	5,598
-	2,630	-	107,512
-	2,630	827	304,202
-	-	-	223,140
-	-	-	116,081
19,191	-	-	19,191
19,191	-	-	358,412
(19,191)	2,630	827	(54,210)
19,191	8,350	-	32,541
19,191	8,350	-	32,541
-	10,980	827	(21,669)
-	224,234	22,786	848,959
\$ -	\$ 235,214	\$ 23,613	\$ 827,290
\$ -	\$ 235,214	\$ -	\$ 235,214
-	-	23,613	23,613
-	-	-	568,463
\$ -	\$ 235,214	\$ 23,613	\$ 827,290

CITY OF CRESTON

Schedule of Indebtedness

Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
General corporate purpose - Series 2010	Jul 22, 2010	3.55-3.80%	\$ 1,280,000
General corporate purpose - Series 2012A	Apr 24, 2012	.80-2.30	1,720,000
General corporate purpose - Series 2012B	Apr 24, 2012	.80-1.60	1,815,000
Total			
Other debt:			
State Revolving Funds Loan	Nov 7, 1995	1.75%	\$ 810,000
State Revolving Funds Loan	Jun 10, 1997	1.75	2,383,000
State Revolving Funds Loan	Mar 20, 1998	1.75	827,000
State Revolving Funds Loan	Sep 30, 2009	3.00	945,000
Sewer truck note	Nov 4, 2008	4.45	329,500
Street trucks, capital lease	Apr 27, 2010	4.80	210,342
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 1,105,000	\$ -	\$ 95,000	\$ 1,010,000	\$ 39,458	\$ -
1,540,000	-	190,000	1,350,000	20,380	-
1,550,000	-	255,000	1,295,000	16,990	-
<u>\$ 4,195,000</u>	<u>\$ -</u>	<u>\$ 540,000</u>	<u>\$ 3,655,000</u>	<u>\$ 76,828</u>	<u>\$ -</u>
\$ 117,000	\$ -	\$ 57,000	\$ 60,000	\$ 2,048	\$ -
659,000	-	154,000	505,000	11,532	-
275,000	-	50,000	225,000	4,812	-
795,000	-	39,000	756,000	23,850	-
94,142	-	47,071	47,071	4,248	-
90,116	-	43,998	46,118	4,342	-
<u>\$ 2,030,258</u>	<u>\$ -</u>	<u>\$ 391,069</u>	<u>\$ 1,639,189</u>	<u>\$ 50,832</u>	<u>\$ -</u>

CITY OF CRESTON

Long Term Debt Maturities

June 30, 2014

Year Ending June 30,	General Obligation Capital Loan Notes					
	General Purpose Series 2010		General Purpose Series 2012A		General Purpose Series 2012B	
	Issued July 22, 2010		Issued April 24, 2012		Issued April 24, 2012	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2015	3.55%	\$ 95,000	0.80%	\$ 190,000	0.80%	\$ 255,000
2016	3.55	100,000	1.00	195,000	1.00	255,000
2017	3.60	105,000	1.20	195,000	1.20	260,000
2018	3.60	110,000	1.35	195,000	1.35	260,000
2019	3.30	110,000	1.60	195,000	1.60	265,000
2020	3.45	115,000	1.75	125,000	-	-
2021	3.55	120,000	2.00	125,000	-	-
2022	3.70	125,000	2.30	130,000	-	-
2023	3.80	<u>130,000</u>	-	<u>-</u>	-	<u>-</u>
Total		<u>\$ 1,010,000</u>		<u>\$ 1,350,000</u>		<u>\$ 1,295,000</u>

See accompanying independent auditor's report.

Total General Obligation Notes	Other Debt	
	State Revolving Funds Loan	
	Dated March 20, 1998	
	Interest Rates	Amount
\$ 540,000	1.75	\$ 53,000
550,000	1.75	55,000
560,000	1.75	57,000
565,000	1.75	60,000
570,000	-	-
240,000	-	-
245,000	-	-
255,000	-	-
130,000	-	-
<u>\$ 3,655,000</u>		<u>\$ 225,000</u>

CITY OF CRESTON

Long Term Debt Maturities - Continued

June 30, 2014

Year Ending June 30,	State Revolving Funds Loan		State Revolving Corporate Purpose Loan		Other Debt State Revolving Funds Loan	
	Dated November 7, 1995		Dated June 10, 1997		Dated September 30, 2009	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2015	1.75%	\$ 60,000	1.75%	\$ 161,000	3.00%	\$ 40,000
2016	-	-	1.75	168,000	3.00	41,000
2017	-	-	1.75	176,000	3.00	43,000
2018	-	-	-	-	3.00	44,000
2019	-	-	-	-	3.00	45,000
2020	-	-	-	-	3.00	47,000
2021	-	-	-	-	3.00	48,000
2022	-	-	-	-	3.00	50,000
2023	-	-	-	-	3.00	52,000
2024	-	-	-	-	3.00	53,000
2025	-	-	-	-	3.00	55,000
2026	-	-	-	-	3.00	57,000
2027	-	-	-	-	3.00	59,000
2028	-	-	-	-	3.00	60,000
2029	-	-	-	-	3.00	62,000
Total		<u>\$ 60,000</u>		<u>\$ 505,000</u>		<u>\$ 756,000</u>

See accompanying independent auditor's report.

Sewer Truck		Street Trucks		Total Other Debt
Interest Rates	Amount	Interest Rates	Amount	
4.45%	\$ 47,071	4.80%	\$ 46,118	\$ 407,189
-	-	-	-	264,000
-	-	-	-	276,000
-	-	-	-	104,000
-	-	-	-	45,000
-	-	-	-	47,000
-	-	-	-	48,000
-	-	-	-	50,000
-	-	-	-	52,000
-	-	-	-	53,000
-	-	-	-	55,000
-	-	-	-	57,000
-	-	-	-	59,000
-	-	-	-	60,000
-	-	-	-	62,000
	<u>\$ 47,071</u>		<u>\$ 46,118</u>	<u>\$1,639,189</u>

CITY OF CRESTON

Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds

For the Last Ten Years

	Years ended June 30,				
	2014	2013	2012	2011	2010
Receipts:					
Property tax	\$ 2,369,974	\$ 2,444,298	\$ 2,357,629	\$ 2,237,733	\$ 2,206,761
Tax increment financing collections	725,435	662,093	845,542	982,107	830,465
Other city tax	1,009,722	1,023,738	1,054,234	967,832	995,380
Licenses and permits	48,767	82,412	33,316	85,868	45,691
Use of money and property	89,929	151,238	159,502	137,851	138,544
Intergovernmental	1,591,093	2,659,081	2,985,951	1,823,211	1,964,979
Charges for service	853,882	820,397	860,138	784,966	731,480
Special assessments	5,680	6,833	6,560	4,673	6,564
Miscellaneous	455,242	745,651	1,298,090	869,589	402,807
Total	<u>\$ 7,149,724</u>	<u>\$ 8,595,741</u>	<u>\$ 9,600,962</u>	<u>\$ 7,893,830</u>	<u>\$ 7,322,671</u>
Disbursements:					
Operating:					
Public safety	\$ 1,626,443	\$ 1,511,893	\$ 1,450,238	\$ 1,414,502	\$ 1,291,228
Public works	1,992,752	2,468,297	2,251,390	2,995,965	1,606,899
Culture and recreation	768,301	1,380,459	1,029,200	697,349	579,237
Community and economic development	40,563	39,860	37,103	34,537	34,522
General government	1,991,061	2,673,211	3,603,438	1,906,869	2,288,799
Debt service	1,058,729	2,849,030	2,257,597	1,070,878	1,088,399
Capital projects	19,191	508,819	-	406,828	118,361
Total	<u>\$ 7,497,040</u>	<u>\$11,431,569</u>	<u>\$10,628,966</u>	<u>\$ 8,526,928</u>	<u>\$ 7,007,445</u>

See accompanying independent auditor's report.

2009	2008	2007	2006	2005
\$ 1,834,171	\$ 1,610,447	\$ 1,751,774	\$ 2,347,714	\$ 2,406,504
570,169	377,466	257,088	123,798	125,512
938,578	930,308	958,901	642,641	90,754
53,262	35,096	84,004	83,496	58,863
220,911	309,648	272,066	178,858	67,787
1,877,398	1,604,264	1,443,949	1,714,568	1,701,605
754,752	728,682	636,366	631,690	636,413
3,202	1,120	1,123	770	768
574,130	405,027	529,052	273,672	255,315
<u>\$ 6,826,573</u>	<u>\$ 6,002,058</u>	<u>\$ 5,934,323</u>	<u>\$ 5,997,207</u>	<u>\$ 5,343,521</u>
\$ 1,935,678	\$ 1,369,057	\$ 1,329,216	\$ 1,382,540	\$ 1,284,193
1,710,960	1,550,531	1,424,508	1,242,654	1,376,244
709,738	1,055,408	574,424	475,808	440,350
45,807	29,577	22,051	36,840	29,966
1,609,437	1,818,139	1,525,619	1,859,588	817,126
1,060,991	1,137,048	748,852	987,032	1,022,485
12,676	39,328	7,016	94,540	397,048
<u>\$ 7,085,287</u>	<u>\$ 6,999,088</u>	<u>\$ 5,631,686</u>	<u>\$ 6,079,002</u>	<u>\$ 5,367,412</u>

City of Creston



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Creston, Iowa as of and for the year ended June 30, 2014, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 22, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Creston's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Creston's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Creston's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-14 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Creston's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Creston's Responses to the Findings

City of Creston's response to findings identified in our audit is described in the accompanying Schedule of Findings. City of Creston's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Creston during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
August 22, 2014

CITY OF CRESTON

Schedule of Findings

Year ended June 30, 2014

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- II-A-14 Segregation of Duties - A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of the aspects of accounting internal controls which rely on adequate segregation of duties, for all reasonable purposes, are missing in the City.

Recommendation - We realize that it may not be economically feasible for the City of Creston to employ additional personnel for the sole purpose of segregating duties, however, we feel it is our professional responsibility to bring the control deficiency to your attention. We would recommend that the Council be aware of the lack of segregation of duties and that they act as an oversight group to the City finance office.

Response and Corrective Action Planned - The City of Creston Finance Office will segregate duties to the extent possible with the current number of employees. Additional review of the financial information will be performed by the City Council to ensure transactions and duties are being performed in accordance with the procedures established by the City Council.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF CRESTON

Schedule of Findings - Continued

Year ended June 30, 2014

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-14 Certified Budget - Disbursements during the year ended June 30, 2014 did not exceed amounts budgeted.
- III-B-14 Questionable Disbursements - During the audit, we noted no disbursements for parties, banquets or other entertainment for employees or Council members that we believe may constitute an unlawful expenditure of public funds as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-14 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials and/or employees were noted.
- III-D-14 Business Transactions - No business transactions between the City and City officials or employees were noted.
- III-E-14 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-14 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-14 Revenue Bonds - The City does not have revenue bonds, only general obligation loan notes.
- III-H-14 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-I-14 Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.